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Message Text

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ACTION SS-30

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S E C R E T TEHRAN 0284

EXDIS

E.O. 11652: GDS
TAGS: EFIN, ENRG, IR
SUBJECT: PRIME MINISTER'S TALK WITH CODEL FANNIN

1. IN 90-MINUTE SESSION MORNING JANUARY 13 WITH SENATORS FANNIN, HANSEN AND BARTLETT, PRIME MINISTER HOVEYDA MADE, INTER ALIA, FOLLOWING POINTS WHICH MAY BE OF INTEREST:

(A) DURING IRANIAN YEAR 1353 GOI INTENDS TO PAY OFF ONE BILLION DOLLARS' WORTH OF ITS INTERNATIONAL DEBTS. REASON PRIME MINISTER GIVES IS THAT TERMS OF MANY ARE UNSATISFACTORY TO GOI FOR ONE REASON OR ANOTHER. (SURPLUS PROPERTY DEBT PROBLEM WAS NOT SPECIFICALLY MENTIONED AND DID NOT APPEAR TO BE INCLUDED IN TYPE OF OBLIGATION TO WHICH PRIME MINISTER HAD REFERENCE.)

(B) PRICE OF CRUDE OIL WILL PROBABLY REMAIN IN THE AREA OF $7.00 GOVERNMENT TAKE. PRIME MINISTER DID NOT PROMISE THIS BUT HE INDICATED THAT THIS PRICE SHOULD REMAIN REASONABLY STABLE PARTICULARLY IF THE COST OF COMMODITIES AND MANUFACTURED GOODS DOES NOT RISE APPRECIABLY. THE PRIME MINISTER INDICATED, IN RESPONSE TO A QUESTION, THAT OIL PRICES MIGHT GO DOWN IF COMMODITY PRICES WENT DOWN. HE ALSO STATED THAT AT THE PRESENT PRICE OF CRUDE OIL HE DID NOT THINK THE GOI WOULD IN THE FUTURE SELL OIL ON TENDER.

(C) EXCHANGE OF VIEWS BETWEEN OECD AND OPEC COUNTRIES WAS ESSENTIAL IF EACH SIDE IS TO UNDERSTAND PROBLEMS OF THE OTHER. PRIME MINISTER UNDERLINED THAT TERMS OF TRADE

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MUST BE REVISED. HE ALSO INDICATED THAT DIFFERENT RULES MUST BE FOUND TO GOVERN THE INTERNATIONAL MONETARY SYSTEM, POINTING OUT THAT THE BRETTON WOODS CONCEPT IS DEAD FOREVER AND THAT A NEW APPROACH WILL BE NECESSARY IN ORDER TO

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PREVENT THE SERIOUS ECONOMIC DISLOCATION WHICH WILL OTHER-
WISE ENSUE.

2. AT ONE POINT DUING THE SESSION THE PRIME MINISTER
ADDRESSED THE PROBLEM OF LARGE FINANCIAL RESERVES IN THE
HANDS OF ARAB COUNTRIES, A PHENOMENON WHICH TROUBLES
FINANCIAL MEN. SAYING THAT HE WAS SPEAKING INFORMALLY
BECAUSE IT WOULD NOT BE APPROPRIATE FOR THE PRIME MINISTER
OF IRAN TO BE DISCUSSING SUCH THINGS, HE SUGGESTED THAT

THE CONSUMING COUNTRIES WORK OUT SOME SYSTEM OF
ASSURING "FUTURE BENEFITS" FOR THE ARAB PRODUCERS. HIS
THOUGHT WAS THAT THE CONSUMING COUNTRY WOULD PAY INTEREST
ON ITS PURCHASES OF OIL BUT WITHHOLD CAPITAL PAYMENTS UNTIL
SOME TIME IN THE FUTURE WHEN THE MONEY MIGHT BE MORE
ATTRACTIVE TO THE RECIPIENT. WHEN THE POINT WAS MADE THAT
IF THE MONEY IS OWED, IT IS STILL A CHARGE AGAINST THE
TREASURY CONCERNED, THE PRIME MINISTER INDICATED THAT THE
CONSUMING COUNTRY WOULD HAVE TO FREEZE THE AMOUNT INVOLVED.
IN OTHER WORDS, THE INTERNATIONAL RULES UNDER WHICH CENTRAL
BANKS HAVE BEEN OPERATING WOULD NEED TO BE CHANGED, HE
POINTED OUT.

3. COMMENT: IT CANNOT BE SAID THAT THE PRIME MINISTER
HAD CAREFULLY THOUGHT THROUGH ALL THE IMPLICATIONS OF HIS
SUGGESTION IN PARA TWO ABOVE. IT IS MENTIONED HERE ONLY
BECAUSE OF THE CLEAR EFFORT HE WAS MAKING TO DEMONSTRATE THAT
THE SOLUTIONS TO THE FINANCIAL PROBLEMS
CREATED BY THE NEW OIL PRICES ARE GOING TO HAVE TO BE
IMAGINATIVE.
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